

## Message Text

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PAGE 01 COPENH 02483 291833Z

63

ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07

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AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

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E.O. 11652: N/A

TAGS: ECON, PINT, DA

SUBJECT: SOCIAL DEMOCRATS TAKE INITIATIVE IN ECONOMIC TALKS

REF: (A) 76 COPENHAGEN 2392 (B) 75 COPENHAGEN 2930

1. THE GOVERNING SOCIAL DEMOCRATS HAVE MADE PUBLIC AN OUTLINE  
OF AN INCOMES POLICY. IN EFFECT THIS OUTLINE IS A PROPOSED  
AGENDA FOR ECONOMIC DISCUSSIONS AMONG THE SEPTEMBER COMPROMISE  
PARTIES (SEE REFERENCE (A)). WHILE VAGUELY WORDED, THE PRO-  
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POSAL IS NOTABLE FOR ITS MODERATE TONE AND THE SHORT SHRIFT IT

GIVES TO "ECONOMIC DEMOCRACY".

2. THE EIGHT POINTS OF THE OUTLINE ARE AS FOLLOWS:

A. GIVE WAGE EARNERS A COMPULSORY SHARE IN THEIR FIRMS' PROFITS.

B. LIMIT WAGE INCREASES, INCLUDING AUTOMATIC INDEXED PAYMENTS, TO SIX PERCENT.

C. MAKE GOOD THE TAX REDUCTIONS PROMISED IN THE SEPTEMBER 1975 COMPROMISE (SEE REFERENCE B) BUT IN A MODEST WAY.

D. TRY FOR DKR 1.5 BILLION (\$250 MILLION) IN PUBLIC SAVINGS.

E. GRANT SUBSIDIES TO PROMOTE BUSINESS.

F. LIMIT OVERTIME AS A MEANS OF REDUCING UNEMPLOYMENT.

G. WORK OUT AN INDUSTRIAL POLICY THROUGH THE BROAD PARTICIPATION OF INDUSTRY, LABOR, AND THE GENERAL PUBLIC.

H. FACILITATE EARLY RETIREMENT AS AN UNEMPLOYMENT REDUCTION MEASURE.

3. THE INITIAL RESPONSE TO THE GOVERNMENT'S INITIATIVE HAS BEEN FAVORABLE. TWO OF THE THREE SMALL SEPTEMBER COMPROMISE PARTIES HAVE GIVEN GENERAL APPROVAL WHILE INDICATING THAT VARIOUS POINTS WOULD HAVE TO BE NEGOTIATED.

4. COMMENT: A. BY ISSUING AN INCOMES POLICY PROPOSAL, THE GOVERNMENT HAS TAKEN THE INITIATIVE IN THE INTER-PARTY ECONOMIC TALKS THAT WILL SOON PICK UP INTENSITY. THE TONE AND CONTENTS OF THE PROPOSAL ARE CLEARLY DESIGNED TO PROMOTE CONTINUED POLITICAL COMPROMISE RATHER THAN PROVIDE THE GOVERNMENT WITH AN ELECTION PLATFORM. THE PROPOSAL CAREFULLY OMITTS CONTROVERSIAL PHRASES, MOST PARTICULARLY "ECONOMIC DEMOCRACY", ALTHOUGH COMPULSORY PROFIT SHARING WOULD BE A STEP IN THAT DIRECTION. WHILE BUSINESSMEN WILL BE LEARY ABOUT PROFIT SHARING AND WILL WANT TO KNOW A LOT MORE ABOUT WHAT THE SOCIAL DEMOCRATS HAVE IN MIND, THEY WILL BE REASSURED BY THE PROPOSAL'S CALL FOR WAGE RESTRAINT, TAX REDUCTION, AND BUSINESS SUBSIDIES.

B. IN CASE ANYONE MISSED THE MESSAGE THAT THE PROPOSAL WAS MEANT TO BE CONCILIATORY, PRIME MINISTER JORGENSEN MADE THE POINT STRONGLY IN AN INTERVIEW IN LIMITED OFFICIAL USE

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PAGE 03 COPENH 02483 291833Z

BORSEN, DENMARK'S BUSINESS NEWSPAPER, OF JULY 29.

C. NOT YET HEARD FROM IS THE LIBERAL PARTY. ALREADY JORGENSEN APPEARS TO BE HAVING SOME SUCCESS IN PRESSURING THE LIBERALS THROUGH THE SMALL PARTIES ASSOCIATED WITH THE SEPTEMBER COMPROMISE. THE INITIAL FAVORABLE RESPONSE OF THESE PARTIES TO THE SOCIAL DEMOCRATIC PROPOSAL MAKES IT MORE DIFFICULT FOR THE LIBERALS TO MANEUVER.

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